MANAGING CUTBACKS AT THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES (C)

In the fall of 1981, the Washington State Department of Social and Health Services (DSHS) was able to meet the first round of federal cuts with a sound, well-accepted plan that was minimally damaging to the agency’s programs and clients. No sooner were those cuts approved, however, than a second round of $63 million in cuts became necessary. The new round was precipitated by a sharp drop in Washington State’s revenues and by Federal administrative action that forced a sharp decrease in expenditures for refugee services and income assistance.

To achieve a ten percent reduction in the budget, DSHS administrators and state legislators again used the decision packages which had been created during the summer of 1981. This time, however, the cuts had more serious effects on clients in most areas.

In the spring of 1982, the legislature cut another $32 million from the DSHS budget, reacting to ongoing shortfalls in state revenues. Once again DSHS revisited the previously-created decision packages and proposed to the legislature those reductions which program directors, regional advisory groups, and other advocates considered most appropriate in light of DSHS’ mission and priorities. There was “not much in the way of legislative change in the decision packages” in this or subsequent rounds of cuts. Alan Gibbs recalled later: “The process by and large held up.” Using Gibbs’ decision package approach, legislators made the largest cuts in administration ($12.4 million) and chore services ($4 million).

In June 1982, Governor Spellman issued an Executive Order declaring a financial emergency, and DSHS faced a fifth round of cuts: $59 million in state funds and a proportional amount in federal matching funds. Further cuts were expected when President Reagan implemented the 1983 fiscal year budget in October, 1982.

What followed was a reiteration of the same basic process initiated by Gibbs in 1981. However, the legislative special session was called so abruptly that planned public hearings, which Gibbs called “an essential part of the decision-making process,” could not
be held before the special session. The process did include a review of the department’s mission and priorities and a solicitation of reviewers’ written comments regarding the least damaging way to make cuts. In this round, descriptions of the impacts of the cuts increased in length. Decision packages included even more complicated efforts to coordinate programs or find ways to deliver them. “Each division and bureau (again) summarized options for budget cuts in a decision package format in order to review as many alternatives as possible,” the Secretary wrote in late June, 1982.

DSHS presented alternatives to the legislature in two groups: 1) those that the agency recommended to help offset the state revenue shortfall and expected federal budget reductions, and 2) those not recommended but necessary to balance the anticipated budget. Again the legislature accepted DSHS’ recommendations with only minor adjustments, Gibbs recalled. In this and earlier rounds of reductions, advocates remained basically satisfied with the process. They opposed cuts and lobbied against them, but if cuts had to come, they regarded DSHS’ priority-identification approach as a sensible accommodation of an apparently necessary evil.

Gibbs’ comments in a written update to DSHS staff and constituents displayed a similar attitude: “Over the past fifteen months the department has attempted, by establishing and applying service priorities, to cushion the impact… This has become increasingly difficult to do. Now the department has reached a point where large reductions… cannot be absorbed without severe negative consequences for many persons whose service needs are most critical… As we examine our priorities again, we need to focus attention on the departmental mission.”

The Results

Gibbs’ department had lost $438 million in funding just before his appointment and $165 million dollars after his arrival. DSHS faced the prospect of losing another $279 million between June of 1982 and June of 1985. When the dust had settled from all the rounds of cutbacks, DSHS’ cumulative reduction in state funding was approximately 7%, compared to the 10% or greater sustained by most other agencies. In fact, DSHS ranked second lowest (with the Department of Education ranking lowest) among all state agencies with regard to loss of state funds. The department and its most critical programs thus survived. In later years “prevention” was added to the department’s mission.

In late 1983, Alan Gibbs resigned as Secretary of DSHS to become the Executive Director of METRO, an agency overseeing sewage treatment and transit services for Washington state’s largest county.

The budget process used by DSHS under Gibbs was eventually adopted by the Washington State Office of Financial Management for use by all state agencies and has been in continuous use for well over a decade.